

LOCAL GOVERNMENT AND REGENERATION COMMITTEE
PUBLIC SECTOR REFORM AND LOCAL GOVERNMENT
SUBMISSION FROM PUBLIC AUDIT COMMITTEE

Dear Joe

**LOCAL GOVERNMENT AND REGENERATION COMMITTEE INQUIRY INTO
PUBLIC SERVICES REFORM AND LOCAL GOVERNMENT – SUBMISSION FROM
THE PUBLIC AUDIT COMMITTEE**

At its meeting on 18 January 2012 the Public Audit Committee agreed that it would submit evidence to the Local Government and Regeneration Committee's inquiry into *Public services reform and local government*.

I therefore attach the Public Audit Committee's submission which focuses on the key matters which arose as a result of the Committee's consideration of the Auditor General for Scotland and Accounts Commission report entitled *The role of community planning partnerships in economic development*.

Should you require any further information please do not hesitate to contact the Assistant Clerk, Jason Nairn on 0131 348 5236 or by email at pa.committee@scottish.parliament.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Iain Gray', with a long horizontal flourish extending to the right.

Iain Gray MSP, Convener

SUBMISSION FROM PUBLIC AUDIT COMMITTEE

At its meeting on 18 January 2012 the Public Audit Committee agreed that it would submit evidence to the Local Government and Regeneration (LGR) Committee's inquiry into *Public services reform and local government*. This submission is set out below and focuses on the key matters which arose as a result of the Committee's consideration of an Auditor General for Scotland and Accounts Commission report entitled *The role of community planning partnerships in economic development*.

The written and oral evidence received by the Committee together with the relevant Official reports for 9 November 2011 (AGS briefing) and 18 January 2012 (oral evidence from the Scottish Local Authorities Economic Development Group –SLAED- and the Scottish Government) can be found on the Committee's web page at:

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/43882.asp>
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The Committee heard many examples of the good work that has been delivered through Community Planning Partnerships (CPPs) particularly in relation to funding for youth employability, resilience planning to mitigate the economic downturn and enabling innovative approaches to address local issues. CPPs also provide a mechanism for the many different public sector, business sector and community and education organisations to work together, each bringing with them their individual expertise and enabling a more co-ordinated response to the challenges facing Scottish communities. However as was acknowledged by all witnesses there are some areas for improvement and the evidence the Committee received highlighted some areas which may merit further consideration in the context of future public sector reform. The Committee notes that the Scottish Government and Convention of Scottish Local Authorities (COSLA) are currently undertaking a short review of CPPs to test how CPPs, using the Single Outcome Agreements (SOA), can best support the wider Public Sector Reform programme.

The membership and structures of CPPs vary, with theme groups established to cover the different policy areas such as community safety and economic development. As noted by Alex Anderson of SLAED "CPPs tend to focus on anti-poverty...Economic Development is just one element of the work – but an important element."¹ The membership of CPPs economic theme groups varies and reflects local circumstance and priorities. This variation is beneficial in terms of responsiveness to local issues and circumstances but also poses challenges in terms of accountability and performance monitoring.

¹ Scottish Parliament Public Audit Committee. *Official Report, 18 January 2012*, Col 371.

Where possible the Committee has endeavoured to structure its comments according to the three strands of inquiry identified by the LGR Committee. However it recognises that some of its comments may be relevant to more than one strand.

Strand 1: Partnerships and Outcomes

Local and national accountability of CPPs

Since 2009/10 CPPs rather than councils have been responsible for developing SOAs for councils. However, councils are the only public bodies that are statutorily held to account for the exercise of their community planning functions and the CPPs themselves are not statutory bodies, so cannot collectively be held to account for the delivery of SOAs. In 2009, the Concordat Oversight Group published further guidance on accountability and governance confirming that statutory public sector partners are ultimately accountable on an individual basis to Ministers and Parliament, or elected members, and not to the CPP.²

The Scottish Government confirmed that in the existing national accountability frameworks, the contribution of national agencies to community planning and SOAs is taken account of, for example, the NHS is held to account through annual reviews conducted by the Deputy First Minister.³

Councils use their SOAs as the basis for their corporate plan and prepare a SOA annual report, on behalf of their CPP, outlining progress against local outcomes. All CPP partners have their own responsibilities and duties clearly articulated in their corporate plans and which are agreed with their governing bodies and/or the Scottish Government. However Audit Scotland reported that “We reviewed a number of corporate plans of other CPP partners that had signed SOAs and found that few of them contained any detailed commitments to achieving the agreed outcomes.” This, it observed, could make it difficult for partners to be held to account through the existing accountability arrangements.⁴

These inherent tensions between each CPP partner delivering their own priorities whilst also signing up to support the delivery of SOA through their local CPP, as well as differing accountability arrangements of CPP partners, limits the extent to which CPPs can hold partners to account for their contribution in achieving agreed outcomes.

² Audit Scotland (2011) *The role of community planning partnerships in economic development*. Paragraph 95. Available at: http://www.audit-scotland.gov.uk/docs/central/2011/nr_111103_community_planning.pdf [Accessed 2 February 2012]

³ Scottish Parliament Public Audit Committee. *Official Report, 18 January 2012*, Col 395.

⁴ *The role of community planning partnerships in economic development*. Paragraphs 92 and 93.

Around 70% of CPP managers reported this to be an issue which creates challenges at CPP board level and affects the success of their CPP economic theme group.⁵

The Committee notes the Christie Commission recommendation that Scottish Government should work with local government and other partners to put in place an appropriate set of common powers and duties, focussed on the common pursuit of outcomes.⁶ The LGR Committee may wish to explore this recommendation in relation to CPPs as it may provide a possible solution to resolving the tension between individual CPP partners delivery of their own priorities verses those of the CPP. The LGR Committee may also wish to explore whether such common powers and duties should also be statutory as is also recommended by the Christie Commission.

Role of location directors in linking local and national priorities

The Scottish Government created the role of location directors to provide a direct link between each CPP and the Scottish Government. An important aspect of the role was to challenge CPPs during the development and revision of their SOA and in monitoring progress against local outcomes.⁷ In evidence the Scottish Government set out the role and level of engagement they expected from location directors, noting in written evidence that the 19 location directors spent between 7 to 20 days a year engaging with their CPP.⁸ Whilst CPPs generally found this role helpful during the early implementation of the SOA process, Audit Scotland found the extent to which location directors continue to exercise this challenge function varies across CPPs.⁹

Audit Scotland reported that there was little evidence of action taken by the Scottish Government following the submission of SOA annual reports and summaries of overall progress. A number of CPPs reported that they had received no feedback from the Scottish Government on their 2009/10 annual reports.¹⁰

The Scottish Government confirmed that location directors support CPPs and ensure CPP discussion is based on a clear understanding of national priorities. However, they do not have a formal role in deciding priorities or overseeing implementation.¹¹ Location directors are provided with detailed feedback from the Scottish Government about the performance of the CPP towards its SOA targets, however it is for the CPP to decide on how performance can be improved.¹²

⁵ *The role of community planning partnerships in economic development*. Paragraph 96.

⁶ *The role of community planning partnerships in economic development*. Paragraph 98.

⁷ *The role of community planning partnerships in economic development*. Paragraph 103.

⁸ Scottish Government, Supplementary written evidence, *Submission 2*.

⁹ *The role of community planning partnerships in economic development*. Paragraph 103.

¹⁰ *The role of community planning partnerships in economic development*. Paragraph 101.

¹¹ Scottish Government, Supplementary written evidence, *Submission 2*.

¹² Scottish Parliament Public Audit Committee. *Official Report, 18 January 2012*, Col 397.

All the witnesses recognised that there was an issue about the consistency of engagement between location directors and CPPs.¹³ In that regard Audit Scotland also noted the turnover and availability of staff in the location director role may have contributed to this issue.¹⁴

The LGR Committee may wish to explore whether a single post holder role such as the location director role (given the issues of turnover and availability) is sufficient to ensure that CPP local priorities are aligned with and informed by Scottish Government national priorities wherever appropriate.

Effect of Enterprise network reforms

Audit Scotland and SLAED noted that the Scottish Government's enterprise reforms had a significant impact on CPPs including reducing the role of national bodies, such as Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE), in providing local economic support. In particular there was an initial loss of skills to support CPPs and councils in improving local economies. This had less impact on CPPs where councils had strong economic development services. In evidence to the Scottish Parliament's Economy, Energy and Tourism Committee's review of the enterprise reforms, some businesses reported that, as a result of the reforms, fewer public sector economic development staff were employed locally, resulting in a decline in knowledge about the needs of the local economy.¹⁵

Local Economic Companies (LECs) used to provide the research and consultancy resources required to develop local economic strategies and it was now down to individual local authorities through the CPP to lead on these with less resources and expertise. SLAED highlighted that, following LECs abolition, there was less scope for councils and CPPs to work with SE and HIE and, "as a result some local authorities have very little contact with them and there has been no joint on-the-ground activity."¹⁶ This is especially the case where the local economic development priorities did not align with the government's six priorities for economic growth. Getting input from SE and HIE proved easier for big cities where there was a bigger economy and consequently closer links between the local and national strategy.¹⁷ SLAED noted that some of the funding previously provided by HIE and SE through the LECs, has however been replaced by funding from Europe.¹⁸

The Scottish Government agreed that, with the abolishment of the LECs, there was an issue with the level of analytical resources available within councils and CPPs to inform

¹³ Scottish Parliament Public Audit Committee. *Official Report*, 18 January 2012, Col 382 and 393.

¹⁴ *The role of community planning partnerships in economic development*. Paragraph 103.

¹⁵ *The role of community planning partnerships in economic development*. Paragraph 41.

¹⁶ SLAED, *Supplementary written evidence*, Submission 1.

¹⁷ Scottish Parliament Public Audit Committee. *Official Report*, 18 January 2012, Cols 378-379.

¹⁸ Scottish Parliament Public Audit Committee. *Official Report*, 18 January 2012, Col 377.

economic strategies. The Scottish Government was encouraging councils to share resources across boundaries and best practice, although it was not seeing good practice shared to the extent that it would wish. The Government confirmed that it had been looking into this with the Improvement Service, research bodies and local government and would be taking it forward as part of its review with COSLA.¹⁹

Given the differential impact of abolishing LEC and LEFs on CPPs and councils access to expertise and analytical support, the LGR Committee may wish to explore with the Scottish Government how it, SE and HIE can support those CPPs and councils whose local economic development strategies and SOAs are not closely aligned with the Scottish Government's six priorities for national growth.

More broadly the LGR Committee may wish to explore how, in relation to future public sector reform, the Scottish Government proposes to identify and, where appropriate, mitigate any differential impacts on CPPs and Local Authorities arising from reforms of national bodies.

Strand 2: Benchmarking and performance measurement

Measuring performance

Audit Scotland's report commented that the 32 SOAs include a total of 274 local outcomes and 574 local indicators linked to the three national outcomes relating to economic development. SOAs are intended to reflect local circumstances and priorities and to demonstrate how the activity of an individual CPP is contributing to national outcomes. However, this means it is not possible to assess whether a CPP is performing effectively in comparison with other areas. The variability of local economic outcomes chosen also means that CPPs' performance cannot be aggregated to assess their overall contribution to achieving national outcomes. Audit Scotland recommended that to address this, CPPs should improve the quality and consistency of economic indicators used in SOAs and economic development strategies, for example by using indicators developed and agreed by SLAED.²⁰

SLAED explained that the indicators they have developed are split into 3 categories:

- health check indicators, which SLAED described as "headline performance indicators designed to provide an indication of the overall health of the economy and reflect the strategic economic outcomes from each of the individual Local Authority SOAs".

¹⁹ Scottish Parliament Public Audit Committee. *Official Report*, 18 January 2012, Cols 402-403.

²⁰ *The role of community planning partnerships in economic development*. Paragraph 65 and Recommendations page 23.

- Core indicators, which would reflect those activities which all local authorities would be undertaking to achieve economic growth; and
- discretionary indicators which would consist of the other economic development activities which some local authorities may consider undertaking.²¹

These indicators compliment a suite of local economic indicators already produced by Society of Local Authority Chief Executives (SOLACE) and which local authorities can also select from.²²

SLAED stated that once the measures and the improvement systems that they have developed were in place, it would be easier for SLAED to report on a national basis. They also stated that they would work with the Scottish Government and other partners to improve the links between CPPs and the economic development strategies for their areas, which they found to be inconsistent across Scotland.²³

The Scottish Government confirmed that they have already contributed analytical resource to the local outcome indicator project chaired by the SOLACE and Senior Managers in Scotland in partnership with the Improvement Service, which resulted in a suite of 65 indicators which most CPPs were already using. As part of its upcoming review, the Scottish Government will assess whether the indicators are being used consistently and where they are not being used, assess whether this is appropriate.²⁴

The LGR Committee may wish to consider how to improve performance measurement at the partnership level so as to better inform performance towards delivering national priorities. In that regard a mix of core and discretionary national and local performance indicators as proposed by SLAED, might enable local authorities and CPPs to measure progress towards local and national economic growth targets whilst also enabling benchmarking at a national level.

The Public Audit Committee notes that giving partners a common set of duties, powers and outcomes expected of CPPs and their partners (as recommended by the Christie Commission) may also improve consistency of performance measurement and the accountability of CPPs.

²¹ Scottish Parliament Public Audit Committee. *Official Report*, 18 January 2012, Col 373.

²² Audit Scotland (2011) *The role of community planning partnerships in economic development*. Paragraph 67.

²³ Scottish Parliament Public Audit Committee. *Official Report*, 18 January 2012, Cols 369-370.

²⁴ Scottish Parliament Public Audit Committee. *Official Report*, 18 January 2012, Col 401.